

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRASIL 05585 012050Z

64

ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 AGR-20 INT-08 L-03 H-03 PA-04 PRS-01 USIA-15

DRC-01 /192 W

----- 069020

R 311745Z JUL 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4806

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 5585

C O R R E C T E D C O P Y (INSERTING READDRESSAL HEADING)

FOLG MSG SENT RIO DE JANEIRO FROM BRASILIA FOR CLEARANCE

27 JULY 1974 BEING RPTD FOR YOUR ACTION/INFO:

E.O.11652: N/A

TAGS: ETRD, EFIN, BR

SUBJECT: TRADE FIGURES FOR JANUARY-JUNE AND BALANCE OF PAYMENTS
OUTLOOK

REF: BRASILIA 4685

1. SUMMARY: THE TRADE ACCOUNT REGISTERED ANOTHER DEFICIT
IN JUNE, BRINGING THE CUMULATIVE DEFICIT DURING THE FIRST
HALF TO \$2,488 MILLION. EXPORTS WERE UP 16.3 PERCENT AND
IMPORTS ROSE BY 123 PERCENT. ON THE EXPORT SIDE, INDUSTRIAL
PRODUCTS INCREASED BY 63.5 PERCENT WHILE BASIC COMMODITIES
DROPPED BY 7.19 PERCENT. THE LAG IN EXPORTS WAS ATTRIBUTABLE
MAINLY TO DECREASES IN RECEIPTS FROM COFFEE, SOYBEANS

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 05585 012050Z

(INCLUDING CAKE AND BRAN) AND BEEF. ON THE IMPORT SIDE,

PETROLEUM -- AS EXPECTED -- WAS THE LARGEST USER OF FOREIGN EXCHANGE. AS RESULT OF EXPORT PERFORMANCE IN FIRST HALF, AUTHORITIES HAVE LOWERED THEIR 1974 EXPORT TARGET TO \$7.5 BILLION FROM \$8.0 BILLION. AT \$6.4 BILLION, OFFICIAL RESERVES AT THE END OF JUNE WERE AT THE SAME LEVEL THAT THEY HAD BEEN AT THE END OF DECEMBER 1973. MONETARY AUTHORITIES CONTINUE TO BELIEVE THAT BRAZIL MAY END YEAR WITH A SLIGHT INCREASE IN OFFICIAL RESERVES. GIVEN THE UNCERTAINTIES IN THE INTERNATIONAL MONEY MARKET, AND THE FACT THAT SOME AMERICAN BANKS ARE NO LONGER MAKING 10 YEAR BANK LOANS TO BRAZIL, IT MAY BE DIFFICULT FOR THE AUTHORITIES TO REACH THIS OBJECTIVE WITHOUT SHORTENING THE CURRENT 10 YEAR TERMS ON THESE LOANS. END SUMMARY.

2. ACCORDING TO PRELIMINARY TRADE FIGURES ISSUED THIS WEEK, BRAZIL'S TRADE BALANCE WAS AGAIN IN THE RED IN JUNE, BRINGING THE TOTAL TRADE DEFICIT FOR THE FIRST HALF OF THE YEAR TO \$2,488 MILLION, AS COMPARED WITH A VERY SMALL DEFICIT OF \$162 DURING THE SAME TIME LAST YEAR. TOTAL EXPORTS DURING JANUARY/JUNE AMOUNTED TO \$3,076 MILLION AND TOTAL IMPORTS \$5,564 MILLION. DURING THIS PERIOD, THE GROWTH IN VALUE OF EXPORTS WAS 16.3 PERCENT AND OF IMPORTS WAS 123 PERCENT OVER THE FIRST HALF OF 1973.

3. THE BRIGHT SIDE OF THE EXPORT PERFORMANCE DURING THE FIRST SIX MONTHS WAS THE GROWTH OF INDUSTRIAL PRODUCTS WHICH REACHED 63.5 PERCENT WHEN COMPARED TO JAN/JUNE 1973. OF TOTAL INDUSTRIAL PRODUCTS, MANUFACTURED GOODS WERE UP 68.6 PERCENT AND SEMI-PROCESSED GOODS WERE UP 48.5 PERCENT.

4. BASIC PRODUCTS (MOSTLY AGRICULTURAL COMMODITIES), ON THE OTHER HAND, CONTINUED TO LAG BEHIND 1973, ALTHOUGH THE JUNE RESULTS SHOWED SOME IMPROVEMENT. DURING THE FIRST HALF, BASIC PRODUCTS WERE DOWN 7.19 PERCENT FROM THE RESULTS OF JANUARY/ JUNE 1973, IN CONTRAST TO A RISE OF 39 PERCENT DURING THE FIRST HALF OF 1973 AS COMPARED TO THE SAME PERIOD OF 1972. THROUGH MAY THE DROP HAD BEEN 49.0 PERCENT, SO THE JUNE RESULTS DID NARROW THE GAP CONSIDERABLY. THE MAJOR FACTORS RESPONSIBLE FOR THE POOR SHOWING OF BASIC PRODUCTS WAS THE DROP IN EXPORT RECEIPTS FROM COFFEE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 05585 012050Z

(GREEN), DOWN 16 PERCENT; SOYBEANS, DOWN 33 PERCENT; SOYBEAN CAKE AND BRAN, DOWN 59 PERCENT; AND BEEF, DOWN 83 PERCENT. MINERAL EXPORTS DID RELATIVELY WELL, WITH IRON ORE UP 72 PERCENT AND MANGANESE ORE UP 8 PERCENT.

6. ON THE IMPORT SIDE, PETROLEUM-RELATED EXPENDITURES, WITH AN INCREASE OF \$1,250 MILLION OVER THE SAME PERIOD LAST YEAR, ACCOUNTED FOR 41 PERCENT OF THE 123 PERCENT RISE

IN TOTAL IMPORTS. THIS WAS FOLLOWED BY IRON AND STEEL PRODUCTS (18 PERCENT), MACHINERY AND EQUIPMENT (9 PERCENT), CHEMICAL PRODUCTS (5 PERCENT), COPPER (5 PERCENT) AND OTHERS (45 PERCENT).

7. COMMENT: THE TRADE RESULTS FOR THE FIRST HALF, EXPECIALLY THE POOR PERFORMANCE OF EXPORTS OF BASIC PRODUCTS, GIVE NO REASON FOR OPTIMISM TO GOB OFFICIALS. IN A MEETING LAST WEEK, THE FINANCE MINISTER TOLD THE AMBASSADOR THAT AUTHORITIES HAD SCALED DOWN THEIR 1974 EXPORT FORECAST FROM \$8.0 BILLION TO ABOUT \$7.5 BILLION, ALTHOUGH HIS REMARKS IMPLIED THAT EVEN THIS LOWER TARGET MAY NOT BE EASILY REACHED. GIVEN THAT (A) EXPORTS ONLY TOTALLED LITTLE OVER \$3 BILLION IN THE FIRST HALF AND (B) INDUSTRIAL EXPORTS ARE UNLIKELY TO IMPROVE MUCH DURING THE SECOND HALF OVER THE ALREADY EXCELLENT PERFORMANCE OF THE FIRST SIX MONTHS, IN ORDER FOR EXPORTS TO REACH \$7.5 BILLION FOR THE YEAR THERE WOULD HAVE TO BE A SIGNIFICANT TURNAROUND IN THE EXPORTS OF AGRICULTURAL PRODUCTS, PARTICULARLY COFFEE AND SOYBEANS, IN THE SECOND HALF.

8. WITH RESPECT TO THE OVERALL BALANCE OF PAYMENTS PICTURE SO FAR THIS YEAR, THE CAPITAL INFLOW HAS BEEN SUFFICIENT TO OFFSET THE LARGE TRADE DEFICIT AND OTHER CURRENT ACCOUNT EXPENDITURES SINCE OFFICIAL RESERVES AT THE END OF JUNE WERE REPORTED AT \$6.4 BILLION, WHICH WAS THE SAME LEVEL REGISTERED AT THE END OF DECEMBER 1973. MONETARY AUTHORITIES FEEL THAT BRAZIL CAN CONTINUE TO ATTRACT SUFFICIENT CAPITAL IN THE SECOND HALF -- AT THE CURRENT TEN-YEAR TERMS -- TO PREVENT A DECLINE IN OFFICIAL RESERVES AND PERHAPS EVEN LEAD TO A SMALL INCREASE BY THE END OF THE YEAR. WHETHER THEY CAN ACCOMPLISH THIS OBJECTIVE IS AT BEST LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BRASIL 05585 012050Z

UNCERTAIN, GIVEN THE UNCERTAINTIES IN THE INTERNATIONAL MONEY MARKET. SINCE AT LEAST TWO AMERICAN BANKS HAVE ALREADY DECIDED NOT TO EXTEND ADDITIONAL TEN YEAR BANK LOANS TO BRAZIL (UNDER RESOLUTION 63), THE AUTHORITIES MAY WELL FIND THAT THEY WILL NEED TO LOWER THE TERMS OF THESE LOANS IN ORDER TO ATTRACT SUFFICIENT FOREIGN FUNDS TO FINANCE THE CURRENT ACCOUNT DEFICIT, WHICH FOR THE YEAR MAY BE IN THE \$5 TO \$6 BILLION RANGE DEPENDING ON THE TRADE RESULTS IN THE SECOND HALF. CRIMMINS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE BALANCE, EXPORTS, IMPORTS, INDUSTRIAL PRODUCTION, BALANCE OF PAYMENTS TRENDS, TRADE DATA, PRODUCTION DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 31 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRASIL05585
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740210-0098
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974074/aaaaacvm.tel
Line Count: 164
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: BRASILIA 4685
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by rowelle0>; APPROVED <20 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TRADE FIGURES FOR JANUARY-JUNE AND BALANCE OF PAYMENTS OUTLOOK
TAGS: ETRD, EFIN, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005